

Message Text

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43

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 EB-11 COME-00 L-03 XMB-07 OPIC-12

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6373

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E. O. 11652: N/ A

TAGS: EFIN, ID

SUBJ: GOI- USG TAX CONVENTION

REF: A) JAKARTA 4483 B) STATE 217800

1. SUMMARY: UPON RETURN TO DUTY OF FINANCE MINISTRY'S PRINCIPAL ACTION OFFICER ON TAX CONVENTION (SUTANTO), WE RECENTLY REVIEWED STATUS OF NEGOTIATIONS. WE FIND GOI POSITION SUBSTANTIALLY AS REPORTED REF B; DETAILS BELOW. GOI AUTHORITIES EXPRESS INTEREST FURTHER CONSULTATION WITH TREASURY IN ORDER RESOLVE REMAINING DIFFERENCES. IN VIEW POSTPONEMENT SINGAPORE TALKS WE WOULD APPRECIATE TREASURY'S FURTHER THOUGHTS ON HOW TO MOVE TOWARD CONCLUDING THIS AGREEMENT. END SUMMARY.

2. OF THREE ISSUES IDENTIFIED BY TREASURY REF. A AS MORE SERIOUS QUESTIONS, THERE HAS APPARENTLY BEEN CONSIDERABLE PROGRESS ON ONE. OUR INFORMANT AND HIS DIRECTOR BELIEVE FINANCE MINISTER WILL AGREE TO EXEMPT INTEREST EARNED BY OPIC AND EXIM IN INDONESIA, ALTHOUGH NOT INTEREST ON OBLIGATIONS TO PRIVATE LENDERS INSURED OR GUARANTEED BY EXIM AND OPIC. THIS POSITION CONDITIONAL ON ASSURANCE THAT EXIM AND OPIC INCOME NOT TAXABLE BY USG. INDONESIANS WOULD ALSO LIKE TO FIND A FORMULATION THAT WOULD OBTAIN NECESSITY OF MENTIONING OPIC AND EXIM BY

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NAME IN THE CONVENTION ITSELF, PERHAPS BY SEPARATE LETTER
DEFINING THEIR STATUS UNDER THAT PROVISION. ON OTHER HAND,
OUR MEETINGS DISCLOSE NO CHANGE IN GOI POSITION ON TREAT-
MENT OF TRANSPORTATION COMPARE THAN VERY RESTRICTED LIBERALI-
ZATION, ONE OF MAIN PURPOSES BEING TO BRING ILLEGAL LAND SPECU-
LATION UNDER CONTROL. STILL AT ISSUE BETWEEN DAYAN AND SHAPIRO,
ACCORDING TO USUALLY WELL- CLUED JOURNALISTS, IS WHETHER GOI
AUTHORITY WOULD MAKE PRIVATE COMPANIES' LAND PURCHASES ON
THEIR BEHALF, WHICH SHAPIRO WANTS, OR COMPANIES WOULD BE
ALLOWED TO MAKE PURCHASE DIRECTLY AND ESTABLISH PARTNERSHIPS
WITH ARABS, WHICH DAYAN WANTS. OUR SOURCES BELIEVE THAT
ORIGINAL DAYAN- BACKED IDEA OF OPENING UP LAND PURCHASING EVERY-
WHERE IN WEST BANK CANNOT PASS CABINET AND THAT DAYAN HAS NOW
ACQUIESCED IN VIEWPOINT THAT FOR TIME BEING GOI SHOULD LIMIT
PURCHASES TO IMMEDIATE JERUSALEM AREA.
ZURHELLEN

CONFIDENTIAL

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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